

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-10
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
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TO SECSTATE WASHDC 8298
INFO USDOC WASHDC

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USDOC FOR BEWT/TDAD AND BEWT/USSR

E.O. 11652: N/A
TAGS: EEWT, EFIN, UR
SUBJECT: MAJOR U.S. FIRM NOW DEMANDING LETTERS OF
CREDIT FROM SOVIETS

1. DEPUTY REP OF INTERNATIONAL HARVESTER'S MOSCOW OFFICE
(CRAWFORD) TOLD COMATT RECENTLY THAT IN SEPTEMBER, 1977,
FIRM BEGAN DEMANDING LETTERS OF CREDIT FROM SOVIETS FOR
ALL PURCHASES OF I-H EQUIPMENT AND SPARES. PRIOR TO
THIS, CRAWFORD SAID, I-H HAD BEEN HAPPY TO OPERATE
WITH SOVIETS ON "CASH-AGAINST-DOCUMENTS" (CAD) BASIS
BUT IN 1976 I-H BEGAN TO NOTICE SLOW-DOWN IN SOVIET CASH
PAYMENTS FOR PURCHASES WHICH BECAME, IN EARLY MONTHS
OF 1977, A SEVERE PROBLEM AND LED DIRECTLY TO
ADOPTION OF MORE RESTRICTIVE PAYMENTS COLLECTION POLICY
BY I-H FIVE MONTHS AGO.

2. COMMENT: I-H IS FIRST MAJOR FIRM WE HAVE HEARD OF
WHICH DEMANDS LETTERS OF CREDIT FROM SOVIET FTO (IN
THIS CASE TRAKTOROEKSPORT) WHEN CONCLUDING SALES
CONTRACTS. ALTHOUGH FIRM HAS SIGNED VIRTUALLY NO MAJOR
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WHOLE EQUIPMENT SALES CONTRACTS IN OVER A YEAR, ITS
ANNUAL SPARE PARTS TURNOVER IS CURRENTLY RUNNING AT
AROUND \$20 MILLION. IN PREVIOUS YEARS THIS RELATIVELY
MODEST AMOUNT HAD PRESENTED NO APPARENT DIFFICULTY
TO SOVIETS IN MEETING PAYMENTS ON CASH-AGAINST-DOCUMENTS
BASIS, ACCORDING TO CRAWFORD. ALTHOUGH WE KNOW OF MANY
COMPANIES CURRENTLY DOING BUSINESS WITH SOVIETS CAD,

WE WILL BE ALERT TO REPORT INSTANCES WHERE OTHER LARGE
FIRMS EITHER ALREADY HAVE OR MAY BE CONTEMPLATING A
SHIFT AWAY FROM CAD TO LOC PAYMENTS REGIME BECAUSE OF
"SLOW-PAY" PROBLEMS WITH SOVIETS. MATLOCK

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Message Attributes

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Draft Date: 25 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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TAGS: EEW, EF, UR, US, INTERNATIONAL HARVESTER
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